CRN Analysis of the Fourth Quarter 2017 Housing Report

Bouncing Back: Five-Year Housing Plan, 2014-2018

Presented April 6, 2018, Chicago City Council Committee on Housing & Real Estate

Crain's recent editorial "House-flippers discover the South Side – and that's a good thing" (March 16, 2018) underscores a confluence of issues the city of Chicago must get right: housing insecurity and investments in neighborhoods. And, the good news is the city has the resources to get it right. The city has a dynamic tapestry of community development corporations that have decades of experience of working in neighborhoods, community leaders and activists, and human service providers who work to build the capacity of Chicago residents.

Chicago's corporate leaders recognize the role affordable housing has for neighborhood stability, business, and workforce development. And the city's Department of Planning and Development has been pursuing a robust agenda for Chicago neighborhoods and has shown tremendous leadership in expanding linkage fees during this period of hot high end real estate development.

One key challenge, in addition to the lack of resources and inequities, remains how to foster development without displacement. People on fixed incomes are always at risk during booming real estate markets – even small increases in property taxes can create instability for a household, a block, a neighborhood. One Chicago must have a vision that includes a home for all.
"Displacement of poor people" is not, however, just an unintended consequence of real estate investment; it is rather a disregard to a fundamental bond any community must have, not only for its success, but for its integrity and future competitiveness. The people of Chicago deserve to partake in the city's growth and development. **In order to do so, the city will require an anti-displacement policy that utilizes a variety of strategies like property tax circuit breakers, cooperative housing, rent to own, preservation of rental housing, and other strategies to enable people to succeed.**

We have a ways to go: nearly 50% of Chicago renters are cost burdened and almost as many owners. The Institute of Housing Studies at DePaul pegs the shortage at approximately 112,000 units. The next Housing Plan should lay out solutions and policies to address this over 100,000-unit shortage, understanding that it will take more than 5 years and also requiring an increased investment of resources to meet needs and to reduce long term costs.

You can see below in Figure 1 the Resource Commitments from the last five plans. We can't miss this opportunity to do more than we have before. **The city that reversed its river and continues to innovate with our riverfront, with O'Hare, and in areas across the city can certainly be the nation's leader in housing for all.**

Figure 1 – A Comparison of Five Year Housing Plan Totals in 2013 Dollars

Since 2004, the City has funded the rehab and new construction of 17,128 rental units in 185 different development projects across 45 of the city's 50 wards. These are projects with use restrictions passed through the City Council Committee on Housing and Real Estate and the full City Council. Most are LIHTC funded, 9% and 4% tax credits.

Figure 2 - Rental Homes Developed by AMI Bracket Served, 2004-2017

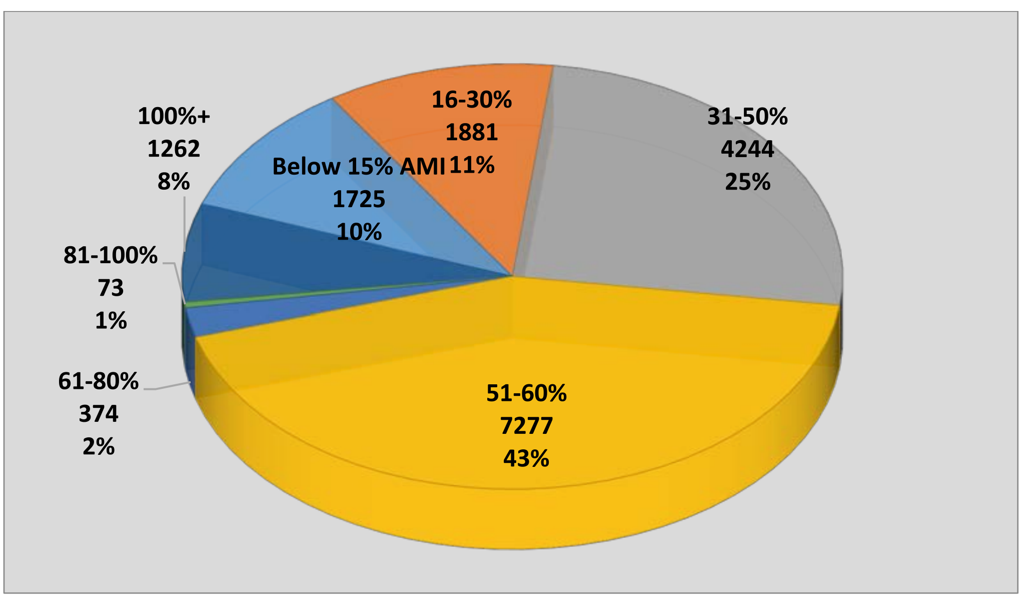
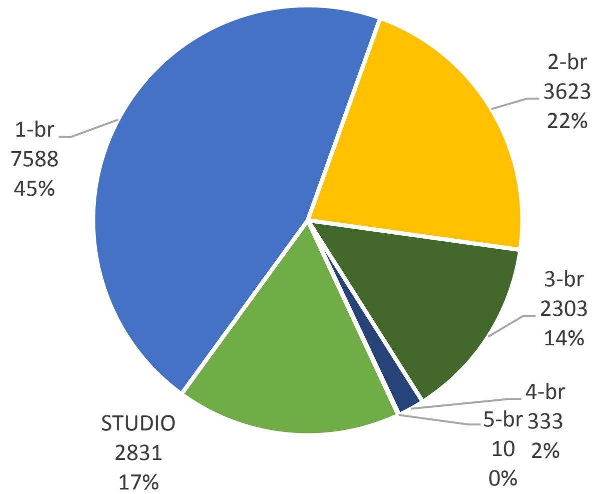


Figure 3 - Rental Homes Developed by Bedroom Size 2004-2017:



CRN has begun data analysis by community area and ward of housing market factors and trends. The Affordable Housing Fact Book, our partnership with the Voorhees Center at UIC, will provide data on housing supply and demand at all levels of the market.

Importantly, we will incorporate expanded data from partners to ensure improved attention to need indicators such including people with disabilities, the homeless, rates of foreclosure and eviction –and especially waiting lists at HUD, CHA, IHDA and city-funded rental developments.

Changes in population, for instance, will require public policy responses or program adjustments to support communities losing population as well as those households and communities most at risk of losing housing stability.

Areas with Highest Population Growth Since 2010

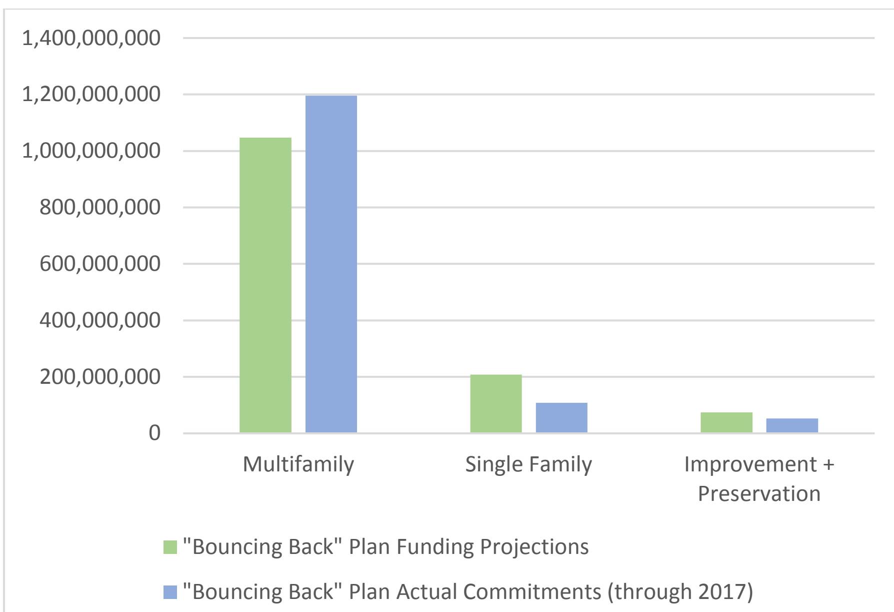
Number	Community Name	2015 Pop	Change since 2010
76	O'Hare	14,770	15.10%
28	Near West Side	61,892	12.77%
54	Riverdale	7,062	8.95%
5	North Center	34,691	8.86%
64	Clearing	25,007	8.07%
11	Jefferson Park	27,242	7.05%
24	West Town	86,569	6.17%
60	Bridgeport	33,893	5.99%
16	Irving Park	56,457	5.81%
32	Loop	30,853	5.36%

Areas with Highest Population Loss Since 2010

Number	Community Name	2015 Pop	Change since 2010
3	Uptown	49,791	-11.66%
37	Fuller Park	2,522	-12.31%
41	Hyde Park	22,381	-12.85%
68	Englewood	26,069	-14.96%
43	South Shore	43,178	-15.06%
46	South Chicago	26,355	-15.52%
33	Near South Side	18,047	-15.63%
77	Edgewater	45,848	-18.88%
39	Kenwood	13,662	-23.42%
36	Oakland	4,042	-31.70%

We are in the last year of the Bouncing Back plan and the trend line shows that projections are largely being met, though, again, projections were not based on addressing the larger universe of housing needs.

Figure 4 – Projected Funding vs. To-Date Actual Commitments, Bouncing Back 2014-2018 Plan



Analysis of Fourth Quarter 2017 Housing Activities

Since 1994, the Chicago Rehab Network has analyzed the City of Chicago Department of Planning and Development's quarterly housing reports, which are produced in accordance with the City's five year housing plans and follow the Housing and Community Jobs Ordinance. This report covers the fourth quarter of 2017.

EXECUTIVE SUMMARY

- A total of 344 net-new units were produced in Q4, making an overall total of 1,847 net-new units during 2017. While Q4's number was down from Q3's 604 net-new units, the 1,847 total units produced in 2017 significantly exceeded the planned 1,300 units.
- Q4 saw the commitment of 5 new developments for a total of 17 developments during the year.
- 57 units created in Q4 will receive CHA funding, while 60 will receive RAD funding. For 2017, there were a total of 498 CHA units.
- During Q4, DPD invested just under $118 million in rental, homeownership, and improvement programs. Just under $403.5 million was invested during the entire year, making 173.7% of the total funding projection of $204.52 million.
- Q4 saw the addition of 105 ARO units, for a total of 283 during the entire year. $1,575,000 million was received in Q4 by the Chicago Affordable Housing Opportunity Fund, making the total year commitment $23,558,554.
- Of the 344 net-new units produced during Q4, 17 will be rented out at market rate, while 327 will be affordable.
- 3 of the 5 total Q4 projects are mixed-use developments that will house libraries in addition to housing. Two of these will serve residents at 60% of AMI, while one will be mixed-income and include market rate units. How does inclusion of the library facility impact the cost per unit and overall?
- Lincoln Park Community Shelter will be a supportive housing facility and Life Center Artist Residences will provide housing for artists and their families.

Table 1 –Housing Dollar Commitments Compared with Annual Goal, 2017 Q4

	Rental Investments	Ownership Investments	Improvement/ Preservation Investments	Total Investments
Total Funds Committed by Year End	355,296,060	32,377,192	15,793,073	*403,466,325*
Total Funds Anticipated by Year End	204,520,000	25,794,031	13,299,239	*243,613,270*
Percent of Goal Met through Q4	173.7%	125.5%	81.5%	*165.6%*

Table 2 –Housing Unit Commitments Compared with Annual Goal, 2017 Q4

	Rental Units*	Ownership Units	Improvement/ Preservation Units	Total Units
YTD Units	5,396	581	2,231	*8,208*
Total Units Projected by Year End	5,450	434	1,769	*7,653*
Percent of Goal Met	99%	133.9%	126.1%	*107.3%*

When looking at the City's planned and actual affordable apartment achievements in 2017, it is important to factor in the number of existing units receiving rental subsidies that are counted. Of the 5,450 low-income units the City planned to support in 2017, more than half (3,000) were expected to receive annual subsidies through the CLIHTF. Many of these subsidies support the same families year to year. Although the CLIHTF is a vital, flexible source of public-private housing support for some of the most vulnerable families in our city, counting these units in the same way as new construction or rehabilitation projects receiving City support obscures the number and proportion of new projects moving forward in any quarter or year. To get a clearer look at *new* affordable apartments being made available for individuals and families in need, CRN removes CLIHTF-subsidized units and two key preservation programs (Heat Receivership and Multifamily Troubled Building Imitative) that do not directly add new units to the available affordable housing stock in Chicago (Table 3).

How is this table constructed from DPD's progress report? In order to calculate how many of the planned units receiving City funds this year would expand the net availability of income-limited apartments, CRN starts with the City's projected number of rental units planned to receive subsidies this year (5,450). We then subtract the planned units covered by those housing programs that are not constructing or rehabilitating rental housing, including 3,000 CLIHTF-subsidized units, 400 Heat Receivership units, and 750 Multifamily Troubled Building Initiative units. This leaves us with 1,300 net-new units; that is, those units that are newly built or rehabilitated and add to the total number of affordable units, rather than simply receiving subsidies. We use the same method to arrive at the number of net-new units actually committed in 2017: while 5,396 total units were committed during the year, 2,641 were CLIHTF-subsidized, 153 were Heat Receivership Units, and 755 were Multifamily Troubled Building Initiative units. Looking at the production numbers using this method lets us understand how many new affordable apartments may actually be added in Chicago throughout the year.

From this analysis, we see that while fewer units ultimately received subsidies from CLIHTF, Heat Receivership, and Multifamily Troubled Building Initiative funding than planned (Table 3), the City provided resources for 547 more net-new units than planned, creating 1,847 net-new units total. This is approximately 142% of the annual goal for net-new units, with 283 of these being covenanted under the ARO. The latter figure speaks to the success of the 2015 Affordable Requirements Ordinance, as only 100 units were projected in 2017 and production had reached 283% of this target at the end of the year.

Table 3 – Net-New Housing Unit Commitments in Comparison with Annual Goal, 2017

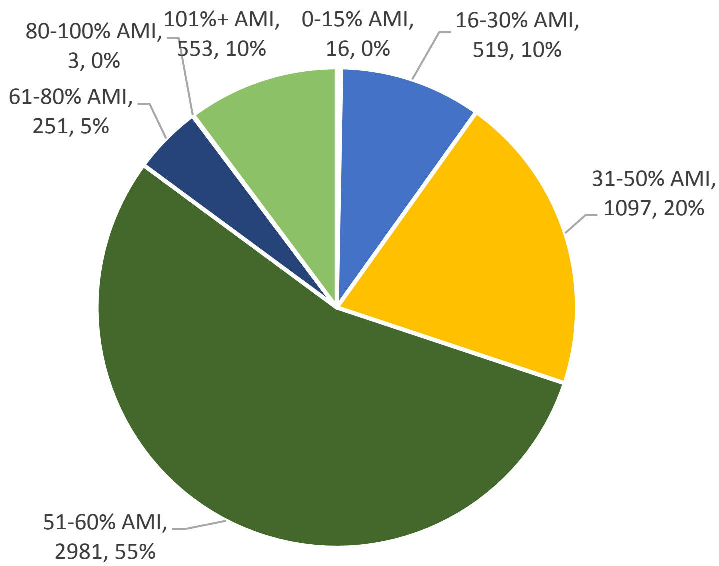
	Total Units Planned for 2017	Total Units Committed in 2017	Total Units Committed in 2017-Q4
Total Subsidized Rental Units	5,450	5,396	745
Less Rental Subsidy Units	*3,000*	*2,641*	*1*
Less Heat Receivership Units	*400*	*153*	*71*
Less MF Troubled Building Initiative Units	*750*	*755*	*329*
Net New Rental Units**	1,300	1,847	344

While all of these projects are focused on affordable housing or are mixed-income, a number of market rate units have been committed as well, with 15% of units committed in 2017 being targeted toward upward of 100% AMI (Table 4). The income bracket that has seen the most development is 51-60% AMI, with a 53% share of total units. Meanwhile, less than 1% of developments are affordable for the 0-15% AMI bracket. Figure 5 on the following page shows the proportion of units produced in each income bracket over the entire Five Year Plan so far, again demonstrating that the majority of rental units serve those households whose incomes are at 51-60% of AMI. The next largest group is 31-50% AMI, with the fewest rental units serving those at or below 15% AMI.

Table 4 – Incomes Served by Net-New Rental Units, 2017

		Net-New Rental Units	Share of Total Units Produced Per Income Bracket
Income of tenants served	0-15% AMI	13	<1%
	16-30% AMI	153	8%
	31-50% AMI	241	13%
	51-60% AMI	973	53%
	61-80% AMI	192	10%
	81-100% AMI	-	-
	101+% AMI	275	15%
YTD Units Committed		**1,874**	**100%**
Total Units Projected by Year End		1,300	
Percent of Goal Met		142%	

Figure 5 – Net-New Rental Units Produced by AMI, 2014-2017



Another useful way of visualizing the production of new units is by size. In 2017, more 1-bedrooms were created than any other size unit, followed by 2-bedrooms (Figure 6). When 1-bedrooms and studios are combined, they account for nearly half (49%) of the net-new rental units created in 2017. This year also saw the production of SRO units as well as efficiency units for supportive housing.

Figure 6 – Net-New Rental Units by Number of Bedrooms, 2017

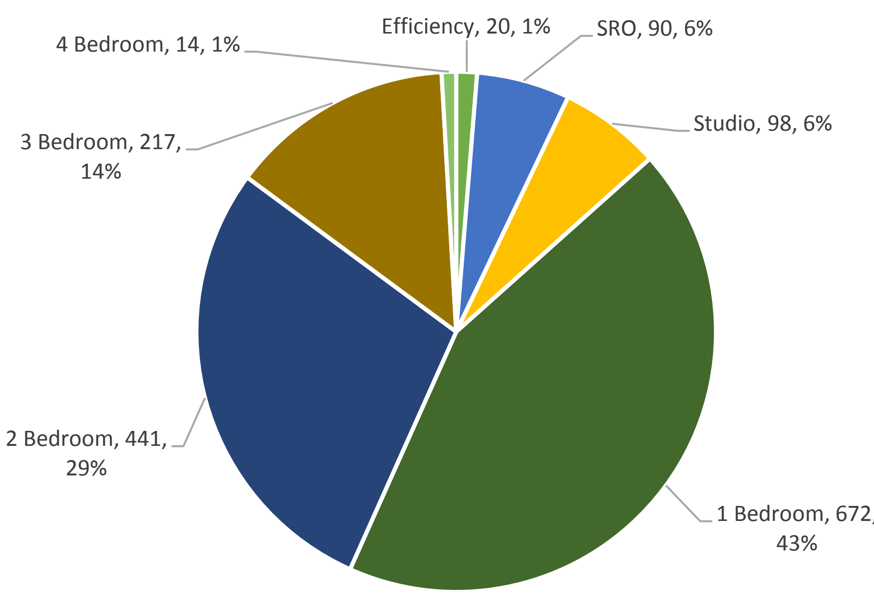


Table 5 – Sources of Net-New Units, 2017

Quarter	Source of Units	Units
Q1	ARO Rental Units Covenanted	66
	Subtotal, Q1	66
Q2	ARO Rental Units Covenanted	99
Q2	Brainerd Park Apartments - Affordable	27
Q2	Brainerd Park Apartments - Affordable (CHA)	9
Q2	Montclare Senior Residences of Englewood - Affordable	102
Q2	Tierra Linda Apartments - Affordable	34
Q2	Tierra Linda Apartments - Affordable (CHA)	11
Q2	New West Englewood Homes - Affordable	12
Q2	La Casa Norte—Pierce House - Affordable	25
Q2	Diversey Manor - Affordable	53
Q2	Diversey Manor - Affordable (CHA)	45
Q2	Woodlawn Roll—Up - Affordable	24
Q2	Woodlawn Roll—Up - Affordable (CHA)	121
Q2	Woodlawn Roll—Up - Market	51
Q2	Preserving Communities Together - Multi-family	12
	Subtotal, Q2	625
Q3	ARO Rental Units Covenanted	13
Q3	Marshall Hotel – Affordable (PRAC)	90
Q3	Mayfair Commons – Affordable	83
Q3	Mayfair Commons – Affordable (MAUI)	13
Q3	Mayfair Commons – Maintenance Staff Unit	1
Q3	The Concord at Sheridan – Affordable (CHA)	65
Q3	The Concord at Sheridan – Market	46
Q3	John Pennycuff Memorial Apartments - Affordable	41
Q3	John Pennycuff Memorial Apartments – Affordable (CHA)	47
Q3	Lathrop Homes Phase 1A – Affordable	109
Q3	Lathrop Homes Phase 1A – Affordable (CHA)	143
Q3	Lathrop Homes Phase 1A - Market	161
	Subtotal, Q3	812
Q4	ARO Rental Units Covenanted	105
Q4	Life Center Artist Residences - Affordable	49
Q4	Life Center Artist Residences – Market Rate	9
Q4	Lincoln Park Community Shelter – Affordable (CHA)	20
Q4	Taylor Street Library and Apartments - Affordable	29
Q4	Taylor Street Library and Apartments – Affordable (CHA)	37
Q4	Taylor Street Library and Apartments – Market Rate	7
Q4	Independence Library and Apartments - Affordable	14
Q4	Independence Library and Apartments – Affordable (RAD)	30
Q4	Northtown Library and Apartments - Affordable	14
Q4	Northtown Library and Apartments – Affordable (RAD)	30
	Subtotal, Q4	344
	Total Net-New Units YTD	1,847

DEVELOPMENT SUMMARIES – Five new multifamily developments were approved during 2017-Q4, for a cumulative total of seventeen during the year. One development will be a supportive housing facility, one will be artists' residences, and three developments will be mixed-use projects that include both housing and a library. Three of the developments are mixed-income, with two receiving CHA funding and two receiving RAD funding.

Life Center Artist Residences

Serving the 20th Ward, Life Center Artist Residences will provide apartments for artists and families and will contain 5,000 square feet of studio space on the ground floor. The project, which will be constructed on two City-owned lots conveyed at $1 each, benefits from $6,350,000 in TIF funds, $1,500,000 in 9% credits generating $15,225,000 in equity, and $270,000 in donation tax credits generating $255,700 in equity.

Income Targets:

- 2 studio/one-bath apartments at 60% of AMI
- 1 studio/one-bath apartment at market rate
- 4 one-bedroom/one-bath apartments at 50% of AMI
- 30 one-bedroom/one-bath apartments at 60% of AMI
- 5 one-bedroom/one-bath apartments at market rate
- 2 two-bedroom/one-bath apartments at 50% of AMI
- 11 two-bedroom/one-bath apartments at 60% of AMI
- 3 two-bedroom/one-bath apartments at market rate

Total Development Cost: $23.3 million   Cost Per Unit: $402,126

Lincoln Park Community Shelter

Serving the 27th Ward, the Lincoln Park Community Shelter will be a five-story supportive housing facility containing efficiency apartments with private baths. All units will receive CHA assistance. An adjacent homeless shelter will provide case management services and support staff. The project benefits from a $2,500,000 multi-family loan.

Income Targets:

- 5 efficiency one-bath apartments at 30% of AMI (CHA)
- 15 efficiency one-bath apartments at 50% of AMI (CHA)

Total Development Cost: $7 million   Cost Per Unit: $350,000

Taylor Street Library and Apartments

Serving the 28th Ward, Taylor Street Library and Apartments will see the construction of a combination Chicago Public Library branch and mixed-income housing development. The new building is part of the ongoing redevelopment of the former BLA Homes public housing complex. The project benefits from $26,000,000 in housing revenue bonds, $7,000,000 in TIF funds, $988,000 in 4% credits generating $9,948,000 in equity, and $1,333,000 in donation tax credits generating $1,215,522 in equity.

Income Targets:

- 20 one-bedroom units, CHA
- 23 one-bedroom units at 60% of AMI
- 3 one-bedroom units at market rate
- 17 two-bedroom units, CHA
- 6 two-bedroom units at 60% of AMI
- 4 two-bedroom units at market rate

Total Development Cost: $36.2 million Cost Per Unit: $495,513

Independence Library and Apartments

Serving the 45th Ward, Independence Library and Apartments will be a combination Chicago Public Library branch and apartment building, and will include 30 project-based Section 8 vouchers funded through RAD. The six-story project will be built on land owned by the CHA. The project benefits from $1,700,000 in 9% credits generating $17,168,111 in equity and $935,550 in donation tax credits generating $836,673 in equity.

Income Targets:

- 30 one-bedroom apartments at 60% of AMI (RAD)
- 6 one-bedroom apartments at 60% of AMI
- 8 two-bedroom apartments at 60% of AMI

- Total Development Cost: $33.3 million Cost Per Unit: $757,909

Northtown Library and Apartments

Serving the 50th Ward, Northtown Library and Apartments will be a combination Chicago Public Library branch and apartment building, and will include 30 project-based Section 8 vouchers funded through RAD. The four-story project will be built on land owned by the CHA. The project benefits from $1,420,000 in 9% credits generating $14,340,422 in equity and $1,124,800 in donation tax credits generating $1,007,944 in equity.

Income Targets:

- 30 one-bedroom apartments at 60% of AMI (RAD)
- 14 one-bedroom apartments at 60% of AMI

- Total Development Cost: $33.3 million Cost Per Unit: $757,909